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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-13-02
POWER TO CHANGE THE DEPRECIATION)	
RATES APPLICABLE TO ITS ELECTRIC)	COMMENTS OF THE
PROPERTY.)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission (Commission), by and through its attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Proposed Settlement and Notice of Modified Procedure issued in Order No. 32891 on September 18, 2013 in Case No. PAC-E-13-02, submits the following comments.

BACKGROUND

On January 22, 2013, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “Company”) submitted an Application seeking a Commission Order, pursuant to *Idaho Code* § 61-525 and Rule 52 of the Idaho Public Utilities Commission (“Commission”) Rules of Procedure, for approval of proposed changes to depreciation rates applicable to Rocky Mountain’s depreciable electric plant. The Company proposes an effective date of January 1, 2014 for its proposed changes.

On March 28, 2013, the Commission issued a Notice of Application and Intervention Deadline. *See* Order No. 32772. Subsequently, Monsanto Company (“Monsanto”) and PacifiCorp Idaho Industrial Customers (“PIIC”) were granted permission to intervene as a party. *See* Order Nos. 32773 and 32804.

On April 26, 2013, the Commission issued a Notice of Public Workshop. A public workshop was held on May 9, 2013, allowing interested Parties the opportunity to discuss a possible settlement of the issues presented in this case.

On September 10, 2013, Rocky Mountain filed a document with the Commission (“Stipulation”), including attachments, that proposes to settle the relevant issues in this case. The Stipulation was agreed to by representatives of the Company, Staff, Monsanto, and PIIC (“Parties”).

STAFF REVIEW

Staff participated in discussions with PacifiCorp, and interested Parties in Idaho and other PacifiCorp states, to discuss Stipulation terms. Staff continued discussions with Monsanto and PIIC to determine if the Stipulation was in the best interest of Idaho customers.

One of the terms of the Stipulation was a request for approval of the proposed accounting treatment for the Company to establish a regulatory asset that would allow the Company to defer any aggregate net increase or decrease in Idaho allocated depreciation expense beginning January 1, 2014. The Parties agreed that the Company should be allowed to recover the deferred depreciation expense beginning on the effective date of the next general rate case, and the depreciation of the Carbon Plant would not be included in this deferral. Commission Order No. 32701 authorized the Company to create a regulatory asset to transfer the remaining Carbon Plant balances upon retirement from electric plant in service and accumulated depreciation to the regulatory assets. This regulatory asset as of the date of transfer will include the un-depreciated book balance. The Parties in case PAC-E-13-04 also agreed to the creation of a regulatory asset for future recovery from Idaho customers of Idaho’s allocated share of the prudently incurred Carbon Removal Costs over a reasonable period to be determined by the Commission. This case

is pending Commission approval.¹ The amortization of the removal costs will begin when rates are set in the next general rate case.

The Stipulation Agreement Adjustments are summarized in Table 1

Table 1

	PacifiCorp PAC-E-13-02 filed increase Company	PacifiCorp PAC-E-13-02 filed increase Idaho	Proposed Stipulation Adjustments Idaho	Adjustment Referenced in The Stipulation²	Stipulation Adjusted Increase Idaho
Depreciation Expense	(b)	(c)	(d)		(c)+(d)
Production Plant					
Steam Production	\$80,985,729	\$4,571,547	\$(740,562)	A,B,F,J,K	\$3,830,985
Steam-Cholla	7,327,916	413,652	(36,131)	K	377,521
Steam-Carbon	76,952,198	4,343,859	(1,541,969)	E,K	2,801,890
Hydro Production	6,680,139	377,086	(125,152)	O	251,934
Other Production	(7,483,653)	(422,443)	(139,097)	C,D	(561,540)
Other-Gadsby	557,941	33,100	(8,594)	C	24,507
Sub Total	\$165,020,270	\$9,316,801	\$(2,591,505)		\$6,725,297
Transmission Plant	\$(4,794,939)	\$(270,669)	\$(183,908)	G,M	\$(454,577)
Distribution Plant	(10,204,120)	(935,013)	(1,228,603)	L,H,M	(2,163,616)
General Plant	(1,402,284)	(24,385)	(224,779)	N	(249,164)
Mining Plant	12,194,267	765,114	(8,083)	I	757,030
Grand Total Plant Increases	\$160,813,194	\$8,851,848	\$(4,236,878)		\$4,614,970

Staff participated in the discussions, reviewed and analyzed the intervening multi-state Parties' comments and conclusions, and also reviewed all of the adjustments as presented and agreed upon in the Stipulation. It is Staff's opinion that the Stipulation is a fair, just and reasonable compromise of the issues. However, Staff believes the following items warrant further explanation.

Adjustments J and K relate to Excess Reserves in the Steam Production Plants. The issue evaluates whether the Steam Production Plant should be considered as one category (Function) rather than as individual plants for depreciation purposes. When reviewed on an

¹ Case No. PAC-E-13-04 In the Matter of the Application of Rocky Mountain Power to Initiate Discussions With Interested Parties On Alternative Rate Plan Proposals. Pages 5-6, items 10-14.

² For a complete explanation of all adjustments see Case No. PAC-E-13-02, Stipulation, pages 6-11.

individual basis, some plants appear to have depreciation reserve deficits and some appear to have depreciation surpluses. This is caused by timing differences due to changes in depreciation factors during the life of the assets. However, if you combine all plants into one function group, offsetting the surpluses and deficits, it reduces the depreciation expense currently required. PacifiCorp assured Staff that it had discussed this practice with the Company's Generally Accepted Accounting Principles (GAAP) advisors and were advised that it did not violate GAAP. Staff looked at the Uniform System of Accounts (USOA) 108c, other states' reserve practices, and accounting publications to determine if combining reserves for depreciation purposes was an acceptable practice. Based on Staff findings and the fact that it is a timing difference which will correct itself in the near future, Staff accepted the Adjustments J and K as being a fair compromise of the Parties. These two adjustments account for a reduction in Idaho depreciation expense of approximately \$432,000.

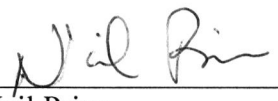
Adjustment E adjusts for a reduction in estimated Carbon Plant costs. Originally, the Company estimated Carbon Plant removal cost of \$330/kW. Existing depreciation rates include \$40/kW for removal costs. Based on Staff's calculations, the \$117/kW removal cost appears to be a fair compromise of the Parties. This amount will be reexamined as estimates are updated and will be trued up to actual prudently incurred removal costs in accordance with the procedures set forth in the Stipulation in Case No. PAC-E-13-04 (the "GRC Stipulation"). Staff agrees with this adjustment as a fair and reasonable compromise by the Parties. This adjustment reduces Idaho depreciation expense by approximately \$1.5 million.

Adjustment L deals again with the issue of surplus and deficit reserves, as discussed earlier regarding Adjustments J and K, only Adjustment L relates to Distribution Plant for Idaho. Staff accepts this adjustment as being a fair compromise of the Parties. This adjustment reduces Idaho depreciation expense by approximately \$1.1 million.

STAFF RECOMMENDATION

Staff believes that this Stipulation represents a fair, just and reasonable compromise of the issues raised in this proceeding and is in the public interest. Staff cautions however, that limiting depreciation expense for current customers, if not properly monitored, may result in unfair expense being pushed to future customers. Staff recommends that the Commission approve the Stipulation and all of its terms and conditions.

Respectfully submitted this 9th day of October 2013.



Neil Price
Deputy Attorney General

Technical Staff: Sandra Walker
Terri Carlock

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9TH DAY OF OCTOBER 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-13-02, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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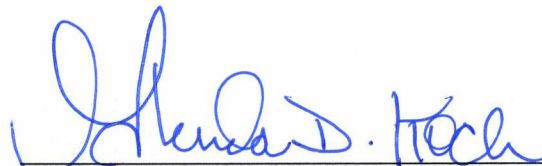
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